

CITY OF MINNEAPOLIS

# Preserving affordable housing

## Opportunities for rental property owners

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# What is “affordable housing?”

- Renter or owner pays <30% of household gross income on housing
- Minneapolis-St. Paul Area Median Income (AMI) used
- Minneapolis programs typically preserve housing at 50% or 60% AMI



# What is “NOAH?”

- Naturally Occurring Affordable Housing (NOAH)
  - Historically has not received any subsidies for construction, operation or maintenance
  - Rents are below 60% of Area Median Income (AMI) rent limits
  - Many residents have low or moderate incomes



*16-unit NOAH property in Minneapolis, constructed in 1960. Current rents range from \$620-\$640 for a studio and \$800-\$900 for a 1 BR.*

# 4d Affordable Housing Incentive Program Overview



# Benefits for Property Owners

- 10-year eligibility for 4d property tax rate
  - Up to 40% reduction in property taxes
  - Minimum 20% of units (8% tax reduction) up to 100% of units (40% reduction)
- Grant of \$100 per affordable unit, cap of \$1,000/property
- Payment of first year fee to [State of Minnesota for Low Income Rental Classification \(LIRC\) \(doc\)](#)
  - LIRC classification = “4D” tax rate
  - Typical apartment is 4a or 4b tax rate
- Priority for City energy efficiency and solar energy funding

# Eligibility Guidelines

- At least 20% of the rental units in a building are affordable to households with incomes at or below 60% of the Area Median Income.
- Tier 1 or 2 rental license with no rental housing license revocations or outstanding housing orders.
- 2+ units in the building or on the tax parcel
- Buildings can include units with owner occupants, but only rental units are eligible for 4d tax status.

# Property Owner Commitment

- Record a 10-year declaration on property stating:
  - At least 20% of units at the property will remain affordable to households making 60% of the Area Median Income (AMI). You may enroll up to 100% of the units in the building.
  - Rent increases for tenants in affordable units are limited to 6% or less annually, unless the unit is turning over to a new tenant.
- If a building is sold, declarations run with the property.

# Example of Tax Savings

- 30-unit building with a \$50,000 annual property tax bill in 2019
- \$50,000 taxes / 30 units = \$1,667 annual tax per non-4d unit
  - With 4d:  $\$1,667 * 0.6 = \$1,000$  annual tax per 4d unit
  - \$667 annual or \$55/month savings for each 4d unit
  - 6 4d units (20% of property): \$4,000 annual savings
  - 30 4d units (100% of property): \$20,000 annual savings
- Value increases, new rate applies to new value – i.e. 10% increase in value → tax bill of \$1,100/unit next year instead of \$1,000

# Energy Efficiency and Solar Funding

- Apply separately at:  
[minneapolismn.gov/environment/greencostshare](http://minneapolismn.gov/environment/greencostshare)
  - **Energy Efficiency Cost Share:** 3/1, 5/1, 7/1 annual rolling deadlines
  - **Solar Cost Share:** 12/1, 2/1, 4/1, 6/1 annual deadlines

Start with scheduling energy assessment with Center for Energy and Environment (CEE):

- Energy Advisor
- [energyadvisor@mncee.org](mailto:energyadvisor@mncee.org) or 612-244-2484
- Funds are first come, first served

# Energy Project Example



*Beth Barron, owner of 2715 Humboldt Ave S. received Green Cost Share Funds to cover 90% of costs of new boiler & water heater, plus insulation of exterior side walls*

# 4d Program Application & Enrollment



# How to Apply & Enroll

- **10/1 annual application process opens**
- **1/8 annual deadline to apply online**
  - [www.minneapolismn.gov/4d](http://www.minneapolismn.gov/4d)
  - 1 application per property
  - Rent roll required
- **Prior to February 12, 2021 – acceptance/rejection**
  - City staff will email 4d legal & admin paperwork, & instructions on how to become a City Supplier



# Enrollment Steps

- **Early March**
  - Signed participation agreement, notarized affordability declaration, signed LIRC application due to City
  - Schedule meeting with City staff to sign paperwork & review compliance requirements
- **Prior to March 31:** City submits LIRC applications to Minnesota Housing on behalf of all selected applicants
- **May - June**
  - Receive Minneapolis 4d incentive grants (\$100 - \$1,000 per property) via US mail
  - Receive official notice of LIRC status from Minnesota Housing
- **November:** Truth in taxation notice shows lower LIRC tax rate for following year (e.g. 2021 if enrolling in 2020)

# 4d Program Compliance



# Three major program requirements:

- Unit rent at or below 60% AMI rent limits AND rent increases for tenants in place do not exceed 6% per year
- Household income is at or below 60% of Area Median Income (AMI)
- Vacancies are affirmatively marketed in accordance with Minneapolis's Fair Housing policy



# 60% AMI – Max Rents & Incomes

- Existing tenants do not need to be income qualified.
- Going forward, new tenants must have incomes below 60% AMI upon initial occupancy. Thereafter, increased incomes of tenants in affordable units will not violate the program requirements.

Maximum Rents, 2020	
Efficiency	\$1,086
1 BR	\$1,164
2 BR	\$1,396
3 BR	\$1,613
4 BR	\$1,800
5 BR	\$1,986

Maximum Household Incomes, 2020	
1 person	\$43,440
2 people	\$49,680
3 people	\$55,860
4 people	\$62,040
5 people	\$67,020

# Income verification with form 1040

- Household income verified as below 60% AMI limit per household size **prior to move in**
- Annual income: adjusted gross income as reported on IRS form 1040"
- To verify income, collect copy of IRS form 1040 from each adult applicant from most recent year



# Income verification without form 1040

- If an applicant doesn't file, they must
  - 1. Sign Attachment 1 to the 4d GDPA form
  - 2. Provide documentation that they are income qualified, and use documentation to calculate yearly income – examples of acceptable documentation includes paystubs, or Social Security benefit letters
- Documentation of household income must be kept on file, does **not** need to be submitted with city Compliance form

\*When doing calculations from paystubs, always use the gross amount, find the average, and multiply by the frequency. For assistance with calculations, contact 4d program compliance staff

# 4d GDPA (Government Data Practices Act) Form

- Release of information form; must be completed by all adult household members
- Page 3: Additional page that must be signed **only** by adult household members who do not file a federal income tax return

4D  
Government Data Practices Act  
Disclosure Statement

Print name(s) of Household Members signing this form:


The City of Minneapolis has provided financial assistance to the property listed below which requires the submission of certain private information that relates to your application to occupy, or continue to occupy, a rent restricted unit in the following property ("Property").

Some of the information you are being asked to provide may be considered private or confidential under the Minnesota Government Data Practices Act (MGDPA), Minnesota Statutes Chapter 13. Section 13.04(C) of this law requires that you be notified of the matters included in this Disclosure Statement before you are asked to provide that information. The Owner of the Property may also ask you to supply information that relates to your application. The Owner's request for information is not governed by the Minnesota Government Data Practices Act.

1. The City of Minneapolis is asking for information necessary for the administration and management of a local program to provide housing for low and moderate income families. Some of the information may be used to establish your eligibility to initially occupy, or to continue to occupy, a unit in the Property. Other information may be used to assist the City in the evaluation and management of some of the programs it operates.
2. As part of your application, you are asked to supply the information listed in Attachment 1.
3. The information asked for in Attachment 1 will be used to establish your eligibility to occupy a unit in the Property. If you refuse to supply any portion of the information, you may not qualify for initial or continued occupancy of a unit in the Property.
4. The Owner may also ask for information to determine whether or not it will rent a unit in the Property to you. If you supply, or refuse to supply, any information requested by the Owner, it will NOT affect a decision by the City, but could affect the Owner's decision to rent a unit to you. The determination by the Owner is

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SAX-4D  
GDPA Disclosure Statement  
September 9, 2019

separate from the City's determination and the City does not participate in the Owner's decision.

5. All of the information listed on Attachment 1 will be accessible to staff of the City (and its agents) and may be made available to staff of the Office of the Minnesota State Auditor or Attorney General, the United States Internal Revenue Service (IRS) and other persons and/or governmental entities who have statutory authority to review the information, investigate specific conduct, and/or take appropriate legal action including but not limited to law enforcement agencies, courts and other regulatory agencies. The information may also be provided by the City to the Owner's management agents of the Property.
6. This Disclosure Statement remains in effect for as long as you occupy a unit in the Property.

I was (We were) supplied with a copy of and have read this Government Data Practices Act Disclosure Statement and the Attachments identified in #2 above. I acknowledge that the information I am providing on Attachment 1 will be relied upon for purposes of determining my income eligibility to occupy the Property and declare under penalty of perjury, which is a felony offense, that my statements on Attachment 1 and the supporting information provided are true and correct.

Head of Household, Spouse, Co-Head and all household members age 18 or older must sign and date:

Applicant/Tenant signature _____	Date _____

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SAX-4D  
GDPA Disclosure Statement  
September 9, 2019

# Compliance form

Download at  
[minneapolismn.gov/4d](http://minneapolismn.gov/4d)

Attachment I  
 to Affordable Housing Declaration  
 of Restrictive Covenants  
 Annual Certification

**Minneapolis 4D Program**  
 Annual Certification of Rents & Incomes

Project Name: \_\_\_\_\_  
 Certification Dates (Mo/Year): \_\_\_\_\_ to \_\_\_\_\_

# of 60% AMI Units: \_\_\_\_\_ *subject to rent and income restrictions*  
 # of Total Units: \_\_\_\_\_

Owner: \_\_\_\_\_  
 Owner Representative: \_\_\_\_\_  
 Title: \_\_\_\_\_

Report Completed By: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

60% AMI Maximum Rent Limits, 2019				
Studio/Eff/0	1 BR	2 BR	3 BR	4 BR
\$1,050	\$1,125	\$1,350	\$1,560	\$1,740

60% AMI Maximum* Income Limits, 2019				
1 person	2 people	3 people	4 people	5 people
\$42,000	\$48,000	\$54,000	\$60,000	\$64,800

\*Incomes must be verified at move in only

Check the boxes below

I certify that all vacancies have been affirmatively marketed on HousingLink - <https://www.housinglink.org/list>

I certify that all rental applicants applying for housing after 10/15/19 have completed a Government Data Practices Act form

UNIT INFO (All Units)						EXISTING HOUSEHOLD	MOVE IN ELIGIBILITY (New Tenants Only)					
Address	Unit #	# BR's	Rent as of January 1st of Previous Year	Rent as of January 1st of Current Year	% of Rent Increase from Previous Year to Current Year (Max 6% Unless Turnover)	New Tenant Household, Post-Closing (Y/N); if Y, complete Move In Eligibility Information	Move In Date	Household Size at Move In	Adjusted Gross Income of Household at Move In	Rent (Including Subsidy Portion, if any)	Section 8 or Other Tenant Based Assistance (Y/N)	Comments
105 5th Ave S	e.g. 1	3					9/15/2018	4	\$50,000			
105 5th Ave S	e.g. 2	3										
105 5th Ave S	e.g. 3	2					6/1/2018	3	\$50,000			

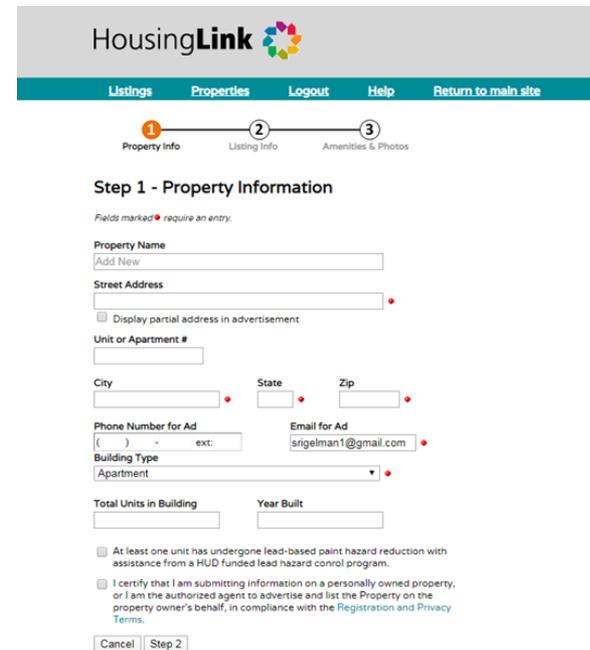
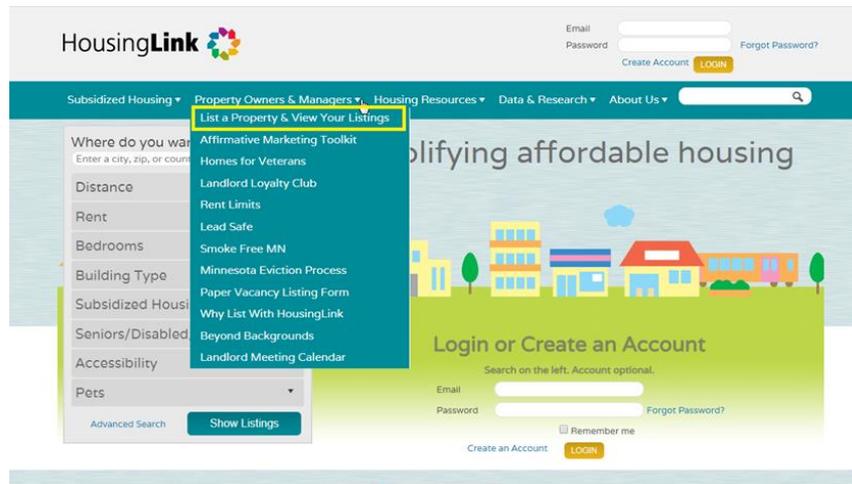


# Affirmative Marketing requirement

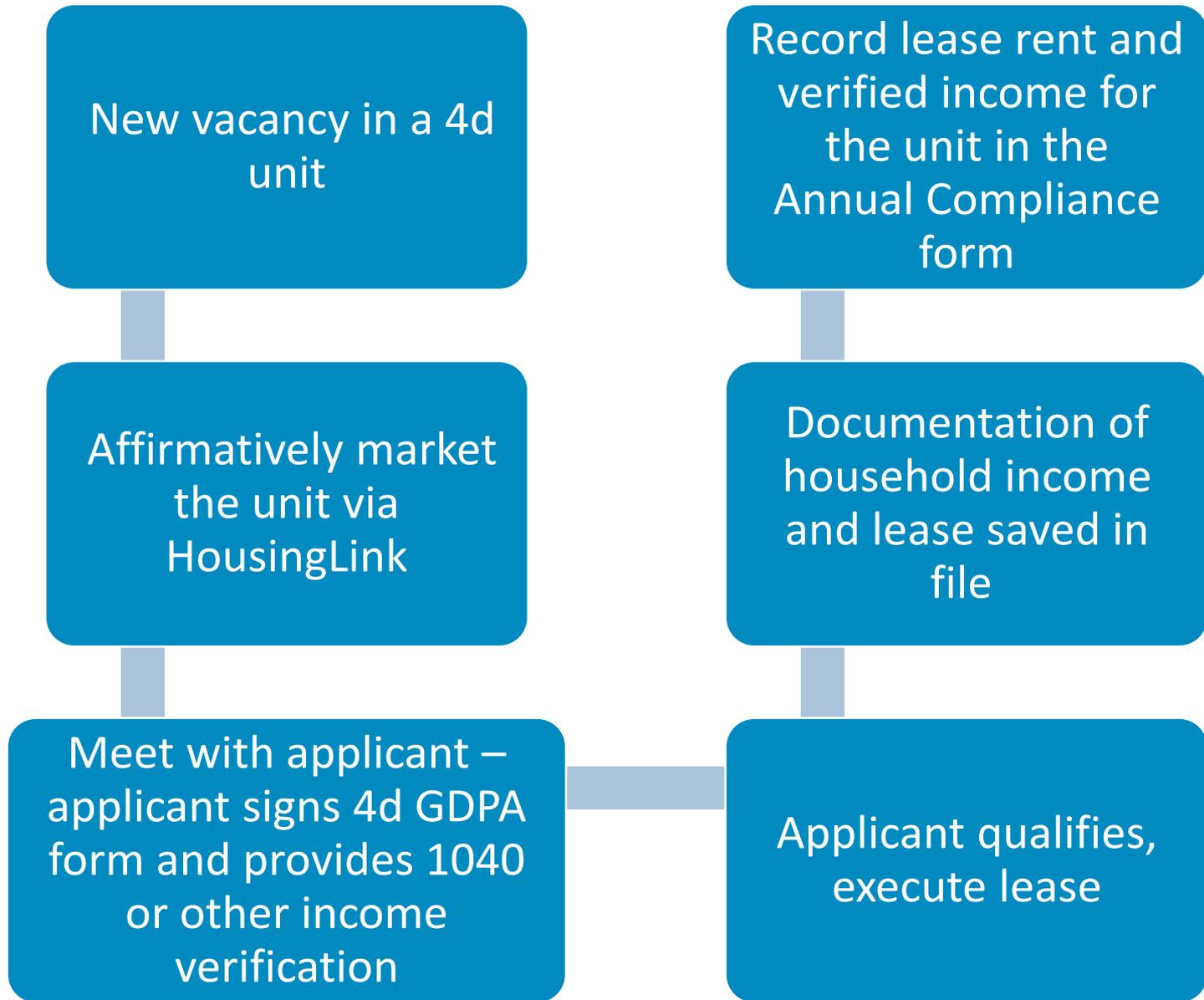
Vacancies must be listed on HousingLink.org (in addition to wherever else you choose to advertise)

Step 1. Create an account

Step 2. Enter information about your unit



# The Compliance Process – Ongoing



# The Compliance Process – Year End

Ensure all required unit information is on Annual Compliance Form and submit to City by 1/31



(Form reviewed by 4d program staff)



Submit Minnesota LIRC application to Minnesota Housing by 3/31



# 4d Program Initial Results



# Number & Size of 4d Units (2018 – 2020)

- 1,190 total units enrolled to date

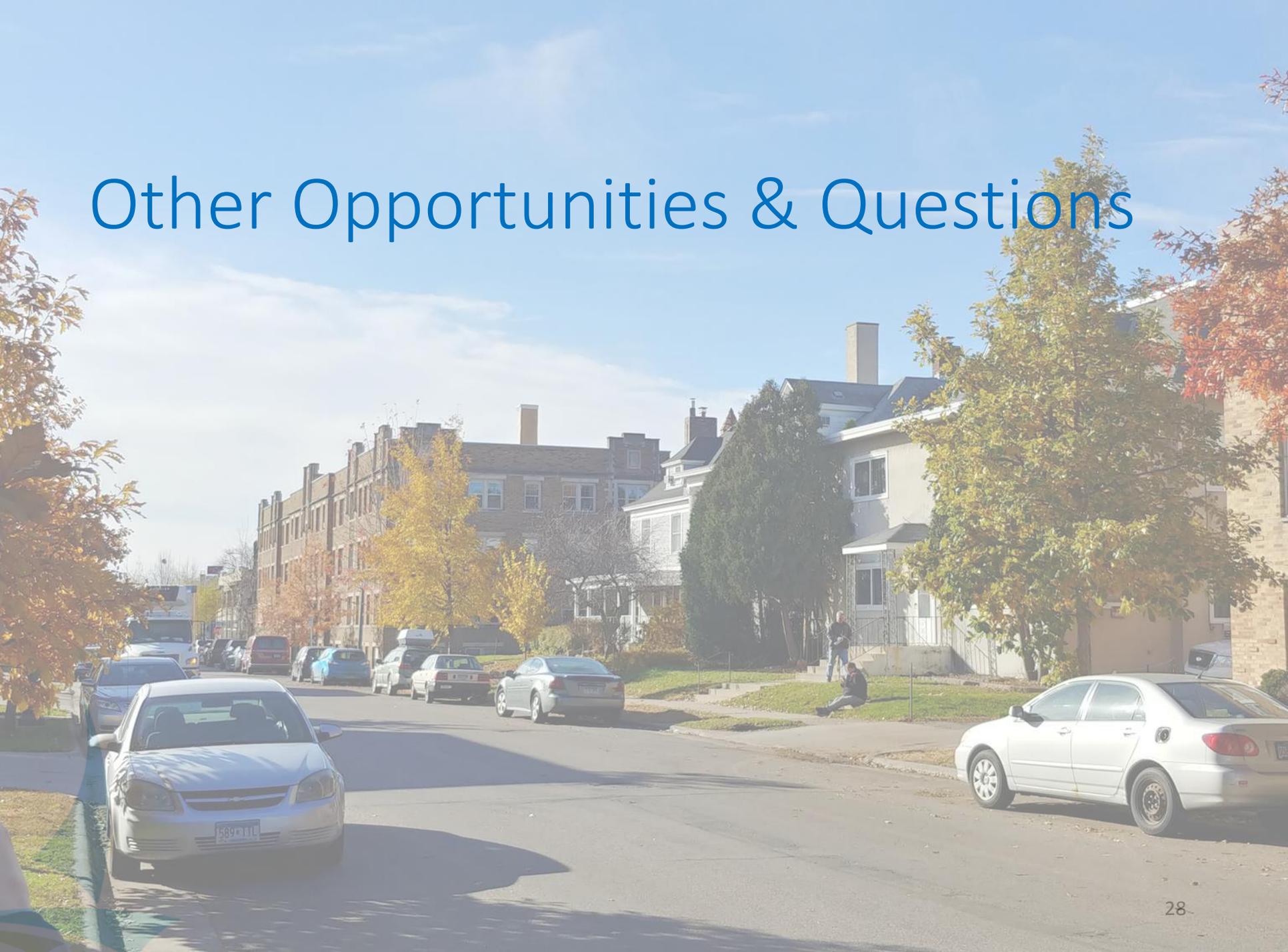
<b>Unit Type</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>	<b>% of total</b>
Studio	49	60	11	120	10%
1 BR	127	316	175	618	52%
2 BR	33	117	164	314	26%
3 BR	0	48	67	115	10%
4 BR	0	10	10	20	2%
5 BR	0	1	0	1	0%
6 BR	0	2	0	2	0%
<b>Total # of Units</b>	<b>209</b>	<b>554</b>		<b>1,190</b>	
<b>Total # of Bedrooms</b>	<b>242</b>	<b>811</b>		<b>1,808</b>	

# 4d Applications in 2020

<b>Application Status</b>	<b>Units</b>	<b>% of total</b>
Property enrolled in program	427	79%
Property owner withdrew/did not complete enrollment	88	16%
Application denied—Tier 3 license or open violations	25	5%
<b>Total</b>	<b>540</b>	



# Other Opportunities & Questions



# Info on Other City Housing Programs

- Visit:  
<http://www.minneapolismn.gov/cped/housing/index.htm>
- Resources for developers, residents and homeowners available
- Programs for owner occupied housing & rental housing
- Variety of program requirements and timelines, many programs have rent and income restrictions for housing



# Questions?

Dean Porter-Nelson & 4d program staff

Sophia Nelson, Compliance Analyst

City of Minneapolis - CPED

[4dprogram@minneapolismn.gov](mailto:4dprogram@minneapolismn.gov)

(612) 673-5055



*2018 4d pilot properties at 1721 3<sup>rd</sup> Ave S. (left)  
and 1916 Colfax Ave S. (right)*